

**Order 2004-3-9**  
**Served: March 17, 2004**



**UNITED STATES OF AMERICA**  
**DEPARTMENT OF TRANSPORTATION**  
**OFFICE OF THE SECRETARY**  
**WASHINGTON, D.C.**

Issued by the Department of Transportation  
on the 12<sup>th</sup> day of March, 2004

Essential Air Service at

**GRAND ISLAND, NEBRASKA**  
**SCOTTSBLUFF, NEBRASKA**

**DOCKET OST-2002-13983**  
**DOCKET OST-2003-14535**

Under 49 U.S.C. 41731 *et seq.*

**ORDER SETTING FINAL RATES**

**Summary**

By this order, we are setting past-period and prospective subsidy rates for Great Lakes Aviation's provision of essential air service (EAS) at Grand Island and Scottsbluff, Nebraska, until further Department action.

**Discussion**

On December 2, 2002, Great Lakes Aviation, Ltd., filed a notice of intent to terminate its subsidy-free scheduled air service (consisting of three one-stop round trips to Denver on weekdays and four one-stop round trips to Denver on weekends with 19-passenger Beech 1900 aircraft) at Grand Island, effective March 3, 2003.

On February 9, 2003, Great Lakes Aviation filed a notice of intent to terminate its subsidy-free scheduled air service (consisting of three daily nonstop round trips to Denver with 19-passenger Beech 1900 aircraft) at Scottsbluff, effective May 20, 2003.

The Department has solicited proposals from air carriers interested in providing essential air service at Grand Island and Scottsbluff, most recently by Order 2003-12-2, December 2, 2003. There is a significant past period associated with Great Lakes Aviation's service at each of these two communities. For the past period, we are setting rates based on rate negotiations that we have completed with Great Lakes that will be effective from the effective dates of each of the carrier's notices of intent to terminate service through January 31, 2004. Beginning February 1, the carrier and Department staff have agreed to set the rates based on Great Lakes' bids that were submitted in a highly competitive environment. These rates will remain in effect until further Department action while we process the carrier selection proceedings at each community. We have reviewed the carrier's proposals and find these rates reasonable for the service provided.

The table indicates the rates and dates of the compensation for each community:<sup>1</sup>

Community	Effective Period	Annual Rate	Effective Date	Prospective Annual Rate
Grand Island, NE	March 3, 2003, through January 31, 2004	\$1,041,184	February 1, 2004	\$866,464
Scottsbluff, NE	May 20, 2003, through January 31, 2004	\$515,176	February 1, 2004	\$494,887

This order is issued under authority delegated in 49 CFR 1.56a(f).

**ACCORDINGLY,**

1. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Grand Island, Nebraska, as described in Appendix B, Page 1, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$536.14;<sup>2</sup>
2. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Grand Island, Nebraska, as described in Appendix B, Page 2, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$446.17;
3. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Scottsbluff, Nebraska, as described in Appendix B, Page 3, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$279.99;

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<sup>1</sup> Prospective rates were adjusted downward effective February 1, 2004, to reflect significantly improved passenger traffic and revenue results.

<sup>2</sup> See Appendix B for subsidy calculations.

4. The Department sets the final subsidy rate for Great Lakes Aviation, Ltd., for the provision of essential air service at Scottsbluff, Nebraska, as described in Appendix B, Page 4, to be payable as follows: for each calendar month during which essential air service is provided, the amount of compensation shall be subject to the weekly ceiling and shall be determined by multiplying the subsidy-eligible flights completed during the month to Denver by \$254.83;

5. We direct Great Lakes Aviation, Ltd., to retain all books, records, and other source and summary documentation to support claims for payment and to preserve and maintain such documentation in a manner that readily permits the audit and examination by representatives of the Department. Such documentation shall be retained for seven years or until the Department indicates that the records may be destroyed. Copies of flight logs for aircraft sold or disposed of must be retained. The carrier may forfeit its compensation for any claim that is not supported under the terms of this order;

6. Dockets OST-2002-13983 and OST-2003-14535 will remain open until further order of the Department; and

7. The Department will serve a copy of this order on Great Lakes Aviation, Ltd. and all parties in Dockets OST-2002-13983 and OST-2003-14535.

By:

**KARAN K. BHATIA**  
Assistant Secretary for Aviation  
and International Affairs

(SEAL)

*An electronic version of this document is available on the World Wide Web at  
<http://dms.dot.gov>*

## GREAT LAKES AVIATION, LTD., – ANNUAL SUBSIDY CALCULATIONS

	<u>Grand Island</u>	<u>Grand Island</u>	<u>Scottsbluff</u>	<u>Scottsbluff</u>
For rate period beginning:	03/03/2003	02/01/2004	05/20/2003	02/01/2004
Weekly round trips	19	19	18	19
Departures	1,942	1,942	1,840	1,942
Completion factor	0.98	0.98	0.98	.98
Block hours	1,684	1,684	1,656	1,748
Miles to hub	344	344	150	150
Revenue passenger miles	3,109,416	3,109,416	2,270,400	5,535,726
Available seat miles	6,425,613	6,425,613	5,245,254	2,475,000
Total passengers	9,039	12,148	15,136	16,500
Average fare	\$100.20	\$100.27	\$87.62	\$87.67
Operating revenue:				
Passenger revenue	\$905,664	\$1,218,080	\$1,326,145	\$1,446,591
Other revenue @ 0.62%	<u>5,615</u>	<u>7,552</u>	<u>8,222</u>	<u>8,969</u>
Total operating revenue	\$911,279	\$1,225,632	\$1,334,367	\$1,455,559
Operating expense:				
Direct operating expense:				
Aircraft lease w/ hull insurance	\$239,027	\$266,225	\$235,053	\$248,111
Fuel & oil	351,237	333,549	232,725	244,345
Flying operations	251,000	279,562	246,827	260,539
Maintenance	<u>376,003</u>	<u>402,146</u>	<u>362,134</u>	<u>382,228</u>
Total direct operating expense	\$1,217,267	\$1,281,482	\$1,076,739	\$1,135,224
Indirect operating expense	<u>642,222</u>	<u>710,990</u>	<u>684,731</u>	<u>722,344</u>
Total operating expense	<u>\$1,859,489</u>	<u>\$1,992,472</u>	<u>\$1,761,470</u>	<u>\$1,857,568</u>
Operating loss	\$948,210	\$766,840	\$427,103	\$402,009
Profit @ 0.05% of total operating expense	<u>92,972</u>	<u>99,624</u>	<u>88,073</u>	<u>92,878</u>
Compensation requirement	<u>\$1,041,184</u>	<u>\$866,464</u>	<u>\$515,176</u>	<u>\$494,887</u>
Subsidy rate per flight	<u>\$536.14</u>	<u>\$446.17</u>	<u>\$279.99</u>	<u>\$254.83</u>
Weekly compensation amount	<u>\$20,373.32</u>	<u>\$16,062.12</u>	<u>\$10,079.64</u>	<u>\$9,683.54</u>

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Grand Island, Nebraska, Docket OST-2002-13983**

<u>Effective Period:</u>	March 3, 2003, through January 31, 2004.
<u>Scheduled Service:</u>	Three round trips each weekday and each weekend to Denver.
<u>Intermediate stops and upline service:</u>	Flights between Grand Island and Denver may stop at McCook, Nebraska, to a maximum of two round trips each weekday and each weekend. Flights between Grand Island and Denver may stop at Kearney, Nebraska, to a maximum of one round trip each Saturday. No service to any other intermediate or upline point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$1,041,184. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$536.14 <sup>1</sup>
<u>Weekly Compensation Ceiling:</u>	\$20,373.32 <sup>2</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

<sup>1</sup> \$1,041,184 divided by 1,942 annual departures as shown in Appendix A.

<sup>2</sup> 38 flights per week \* \$536.14.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Grand Island, Nebraska, Docket OST-2002-13983**

<u>Effective Period:</u>	February 1, 2004, until further Department action.
<u>Scheduled Service:</u>	Three round trips each weekday and each weekend to Denver.
<u>Intermediate stops and upline service:</u>	Flights between Grand Island and Denver may stop at McCook, Nebraska, to a maximum of two round trips each weekday and each weekend. Flights between Grand Island and Denver may stop at Kearney, Nebraska, to a maximum of one round trip each Saturday. No service to any other intermediate or upline point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$866,464. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$446.17 <sup>3</sup>
<u>Weekly Compensation Ceiling:</u>	\$16,062.12 <sup>4</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

<sup>3</sup> \$866,464 divided by 1,942 annual departures as shown in Appendix A.

<sup>4</sup> 38 flights per week \* \$446.17.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Scottsbluff, Nebraska, Docket OST-2003-14535**

<u>Effective Period:</u>	May 20, 2003, through January 31, 2004.
<u>Scheduled Service:</u>	Three round trips each weekday and each weekend to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate or upline point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$515,176. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$279.99 <sup>5</sup>
<u>Weekly Compensation Ceiling:</u>	\$10,079.64 <sup>6</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

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<sup>5</sup> \$515,176 divided by 1,840 annual departures as shown in Appendix A.

<sup>6</sup> 36 flights per week \* \$279.99.

**Great Lakes Aviation, Ltd., Essential Air Service To Be Provided at  
Laramie, Wyoming, Docket OST-1997-2958**

<u>Effective Period:</u>	February 1, 2004, until further Department action.
<u>Scheduled Service:</u>	Three round trips each weekday and each weekend to Denver.
<u>Intermediate stops and upline service:</u>	No service to any intermediate or upline point is contemplated under the terms of this proposal; accordingly, no such service may be provided on subsidized flights without prior Department approval.
<u>Aircraft type:</u>	Beech 1900D (19 passenger seats).
<u>Timing of flights:</u>	Flights must be well-timed and well-spaced in order to ensure full compensation.
<u>Annual compensation:</u>	\$494,887. This rate assumes an annual completion factor of 98 percent. A compensation ceiling is to be applied per calendar week such that service above that ceiling in one week cannot make up for service shortfalls in another week.
<u>Subsidy Rate per Denver Flight:</u>	\$254.83 <sup>7</sup>
<u>Weekly Compensation Ceiling:</u>	\$9,683.54 <sup>8</sup>

**Note:**

The carrier understands that it may forfeit its compensation for any flights that it does not operate in conformance with the terms and stipulations of the rate order, including the service plan outlined in the order and any other significant elements of the required service, without prior approval. The carrier understands that an aircraft take-off and landing at its scheduled destination constitutes a completed flight; absent an explanation supporting subsidy eligibility for a flight that has not been completed, such as certain weather cancellations, only completed flights are considered eligible for subsidy. In addition, if the carrier does not schedule or operate its flights in full conformance with this order for a significant period, it may jeopardize its entire subsidy claim for the period in question. If the carrier contemplates any such changes beyond the scope of the order during the applicable period of these rates, it must first notify the Office of Aviation Analysis in writing and receive written approval from the Department to be assured of full compensation. Should circumstances warrant, the Department may locate and select a replacement carrier to provide service on these routes. The carrier must complete all flights that can be safely operated; flights that overfly points for lack of traffic will not be compensated. In determining whether subsidy payment for a deviating flight should be adjusted or disallowed, the Department will consider the extent to which the goals of the program are met and the extent of access to the national air transportation system provided to the community.

If the Department unilaterally, either partially or completely, terminates or reduces payments for service or changes service requirements at a specific location provided for under this order, then, at the end of the period for which the Department does make payments in the agreed amounts or at the agreed service levels, the carrier may cease to provide service to that specific location without regard to any requirement for notice of such cessation. Those adjustments in the levels of subsidy and/or service that are mutually agreed to in writing by the parties to the agreement do not constitute a total or partial reduction or cessation of payment.

Subsidy contracts are subject to, and incorporate by reference, relevant statutes and Department regulations, as they may be amended from time to time. However, any such statutes, regulations, or amendments thereto shall not operate to controvert the foregoing paragraph.

<sup>7</sup> \$515,176 divided by 1,942 annual departures as shown in Appendix A.

<sup>8</sup> 38 flights per week \* \$254.83.